

## Ag Adjustment Standards/Methodology Subcommittee

April 11, 2012 - 9:30 AM – ISAC office – West Des Moines, IA

### Minutes

Cary Halfpop called the meeting to order with the following in attendance:

Members: Cary Halfpop, Tim Johnson, Wayne Schwickerath, Deb McWhirter, Paul Jones, Jessi Hermesen

Guests: Kathy Croker, Julie Roisen, Matt Deppe, Mel Obbink, Bob Haegele, Marsha Carter, Tony Buman, Mike Mohrhauser, Leon Wernimont, Bruce Hovden

After introductions, Cary Halfpop reviewed the last meetings of the Methods and the Implementation subcommittees.

Wayne Schwickerath shared results of using a cash rent model with CSR's incorporated. We are calling this the blended cash rent model. This model results in adjustments that are smaller as compared to the adjustments under the straight cash rent model. 24 counties show a difference of less than 5%, 32 counties 6-10% difference, 23 at 11-15% difference, 14 at 16-20% difference, and 6 counties reflected a difference of 20% or more. The CSR of non-tillable land compared to tillable land seems to be a big factor. If non-tillable land has a much lower CSR, there seems to be a greater amount of difference under the two methods.

Wayne feels that the blended method would be a good way to tie the adjustment to the CSR's. Wayne also recommends using a five year average for cash rents in this approach. His data included only 4 years. Wayne also noted that there is a discrepancy between the ISU cash rent survey and the USDA survey. USDA averages tend to reflect a lower rent than the ISU survey, but they also have a much larger sample size. Wayne also suggested we should contact Jerry Miller at ISU regarding their recommendations.

Julie Roisen shared a productivity method of calculating the land use adjustments. This method uses the existing ag productivity formula but she separated the crop versus non-crop net incomes to arrive at an appropriate debasement amount. Dave Kubik used this method for his 2011 ag land adjustments in Dubuque County. Some discussion points from this approach include other acres, calculated acres from FSA versus census acres versus abstract acres, and whether tillable pasture should be on the crop side.

Jessi Hermesen pointed out that under USDA definitions, hay acres are part of the crop land harvested acres.

Roisen shared calculated adjustments under the productivity approach for several sample counties. The adjustments in this method appear to be slightly less than even the blended approach. Five year averages are already accounted for in this methodology. There was discussion pertaining to the various acres. Roisen will complete the methodology for all counties and put on a spreadsheet with cash rent and blended methods for comparison purposes. May also try to display on a map.

A discussion of some critical issues or components was next on the agenda. Spot symbols and line adjustments – should probably implement adjustments in this area but need to discuss recommendations with the soil science experts from Iowa State University. We were also reminded that the spots and lines are not part of the land use adjustment, just part of the soil survey. Biggest question on lines is the width.

Drainageways, creeks, crossable/non-crossable waterways – these are all line adjustments

Building sites – consensus was that these should fall under the tillable definition and not adjusted

Improved versus unimproved – deals with non-tiled lands and is no longer a part of the soil survey; no need to adjust for these categories

Forest and fruit tree reservations and apple orchards – fruit trees should be part of tillable and not adjusted; grape vineyards should not be adjusted; Christmas tree farms should not be adjusted; some standards need to be implemented in order to conclude how to handle groves of trees that may or may not be a part of the building site (minimum acres, etc.)

Ditches (drainage or waterways) – should already be in the line adjustments

Filter Strips – could be areas around feedlots or along rivers and streams; should be part of non-tillable acres and adjusted

CRP and WRP – consensus was that these are government programs and should be part of tillable acres;

Other issues that still need to be considered are permanent pasture versus pasture, frequently flooded lands, ponds, CSR2, and any others that may still come up.

Another question to consider is when some take tillable ground back to a non-tillable status for environmental or economic reasons.

The next meeting is scheduled for 9:30 AM on Wednesday, April 25 at the Farm Bureau office in West Des Moines (5400 University Ave).

Assignments for next meeting: Julie will put together comparison information with productivity, cash rent, and blended results all in one spreadsheet and possibly on a map. All subcommittee

members should still work to comment on the remaining critical issues as listed on agenda and provide definitions of tillable and non-tillable.

Respectfully submitted,

Cary Halfpop